



**NORTHEASTERN VERMONT REGIONAL HOSPITAL
FY 2022 BUDGET PRESENTATION to GREEN MOUNTAIN CARE BOARD
AUGUST 19, 2021**

GMCB PRESENTATION

1. Introduction/Overview/Hospital Vision
2. Net Patient Revenue/Fixed Prospective Payments & Summary of Budget Request
3. Income statement, balance sheet, and cash flow statement
 - i. NPR/FPP (Medicare, Medicaid, and Commercial Revenue Assumptions)Charge Request
 - ii. Adjustments (provider transfers and/or accounting adjustments)
 - iii. Other Operating and Non-Operating Revenue
 - iv. Operating Expenses
 - v. Operating Margin and Total Margin
4. Risks and Opportunities
5. Value-Based Care Participation
6. Capital Investment Plans
7. Other: Impact of COVID-19 on access to care/wait times at your organization, including the use of telehealth and telemedicine, COVID-19 related safety protocols, and other relevant factors.



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INTRODUCTION/OVERVIEW/VISION

Introducing the NVRH Senior Leadership Team

- **Shawn Burroughs**, MBA – CIO, 2017
- **Diana Gibbs**, MHA - VP Community Health Improvement/Marketing, 2021
- **Betty Ann Gwatkin**, MBA, SHRM-SCP – CHRO, 1999
- **Bob Hersey**, MBA, FHFMA – CFO, 1999
- **Laura Newell**, MSHCA – VP Operations & Medical Practices, 2018
- **Michael Rousse**, MD – CMO, 2015
- **Julie Schneckenburger**, MS, RN, CNOR – CNO, 2013
- **Colleen Sinon**, RN, CPHRM – VP Quality Mgmt Programs, 1996
- **Shawn Tester**, MSOL – CEO, 2018



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INTRODUCTION/OVERVIEW/VISION

Hospital Overview:



Independent, 25-Bed Critical Access Hospital



Service Area = 30,000 Population



Emergency Room Visits = 12,500 Annually



14 Medical Practices: 10 Specialty, 4 Rural Health Clinics



684 Employees

NVRH Vision: – *“To Be A Leader in Improving the Health of Our Community”*



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INTRODUCTION/OVERVIEW/VISION

FY 2022 Budget Overview:

- Budgeted operating margin of \$2,065,000 or 2% of Total Operating Revenue
- Requesting 3.0% average charge increase
- Expanding and adding services to meet community needs
- Continued focus on reducing avoidable Emergency Department visits
- Expanding participation in Value-Based Payment Programs



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INTRODUCTORY REMARKS FROM OUR CEO



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INCOME STATEMENT, BALANCE SHEET & CASH FLOW

INCOME STATEMENT

INCOME STATEMENT	2020 A	2021 B	2021 PROJ	2022 B
Revenues				
Gross Patient Care Revenue	\$169,222,081	\$193,629,600	\$191,972,700	\$203,382,600
Disproportionate Share Payments	\$972,598	\$919,700	\$1,029,300	\$926,400
Graduate Medical Education (UVMHC)	\$0	\$0	\$0	\$0
Bad Debt	-\$2,570,475	-\$3,773,400	-\$2,730,800	-\$2,879,100
Free Care	-\$2,623,396	-\$3,014,000	-\$2,701,500	-\$2,843,100
Deductions from Revenue	-\$85,929,972	-\$105,035,600	-\$101,953,200	-\$109,757,666
Net Patient Care Revenue	\$79,070,836	\$82,726,300	\$85,616,500	\$88,829,134
Fixed Prospective Payments	\$6,704,919	\$8,399,000	\$8,042,064	\$9,027,154
Reserves	\$0	-\$600,000	-\$312,500	-\$812,500
Other Reform Payments	\$0	\$0	\$378,898	\$325,000
Fixed Prospective Payments and Reser	\$6,704,919	\$7,799,000	\$8,108,462	\$8,539,654
Net Patient Care Rev & Fixed Payment	\$85,775,755	\$90,525,300	\$93,724,962	\$97,368,788
340B Retail Pharmacy Programs	\$2,712,187	\$2,575,000	\$2,314,633	\$2,400,000
COVID-19 Stimulus and Other Grant	\$1,788,510	\$597,400	\$1,160,140	\$0
Grant Income	\$117,759	\$0	\$0	\$0
Reference Lab Revenue	\$1,458,431	\$1,525,000	\$1,731,307	\$1,725,000
Meaningful Use	\$0	\$0	\$0	\$0
Other	\$34,000	\$210,000	\$339,540	\$340,100
Other Operating Revenue	\$6,110,887	\$4,907,400	\$5,545,620	\$4,465,100
Total Operating Revenue	\$91,886,642	\$95,432,700	\$99,270,582	\$101,833,888
Operating Expenses				
Salaries, Fringe Benefits, MD Fees	\$54,305,978	\$62,771,420	\$60,057,600	\$63,799,600
Health Care Provider Tax	\$4,968,780	\$4,700,000	\$5,272,800	\$5,525,000
Depreciation Amortization	\$3,196,677	\$3,110,000	\$3,159,700	\$3,508,500
Interest	\$231,980	\$200,700	\$211,100	\$176,700
ACO Dues	\$157,129	\$0	\$150,000	\$200,000
Other Operating Expenses	\$27,844,880	\$22,705,880	\$28,436,126	\$26,559,050
Total Operating Expenses	\$90,705,424	\$93,488,000	\$97,287,326	\$99,768,850
Net Operating Income	\$1,181,218	\$1,944,700	\$1,983,256	\$2,065,038
Non Operating Revenue	\$2,418,526	\$0	\$3,503,586	\$0
Excess (Deficit) of Rev over Exp	\$3,599,744	\$1,944,700	\$5,486,842	\$2,065,038



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INCOME STATEMENT, BALANCE SHEET & CASH FLOW

NPR/FPP-FY 2021 BUDGET to FY 2022 BUDGET

Net Patient Revenue Variance Réconciliation FY 2021 Budget to FY 2022 Budget

Description	Amount	%	Comments
FY 21 Budget Net Patient Revenue	\$ 90,525,300		
NPR Change Due to Volume	1,571,500	1.7%	Returning to pre-COVID Volume Levels
Unbudgeted COVID Testing NPR	425,000	0.5%	Ongoing Testing Anticipated
Change in FPP & Other Reform Payments	740,700	0.8%	Increased Medicaid Attribution; VBIF
Favorable DSH Revenue Change	6,700	0.0%	
Medicare Sequestration Waiver	143,000	0.2%	Waiver to Expire December 31, 2021
Uncompensated Care Change	1,065,200	1.2%	Shift from Uncomp Care to Medicaid Enrollment
Increase Use Infusion Drug (One Drug)	278,500	0.3%	Annual Cost now \$1.1 Million
NPR Change New/Expanded Services	1,477,600	1.6%	Pulmonology, ENT, Pain Management
Change in Payer Mix	(48,000)	-0.1%	
Change From Rate Increase	1,203,800	1.3%	\$401,300 per 1%
Other	(20,500)	0.0%	
Projected FY 2021 NPR	<u>\$ 97,368,800</u>	<u>7.6%</u>	
Analysis of NPR Increase	Amount	%	
Volume Returning to Pre-COVID Levels	\$ 1,571,500	1.7%	
Expanded/New Services	1,477,600	1.6%	
COVID Testing	425,000	0.5%	
Infusion Drug	278,500	0.3%	
Medicare Sequestration	143,000	0.2%	
Sub Total	<u>\$ 3,895,600</u>	<u>4.3%</u>	
Other	<u>2,947,900</u>	<u>3.3%</u>	
Total NPR Increase FY21 to FY22 Budget	<u>\$ 6,843,500</u>	<u>7.6%</u>	



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INCOME STATEMENT, BALANCE SHEET CASH FLOW

NPR/FPP - SUMMARY OF BUDGET REQUEST

- Requesting Average Rate Increase of 3%
 - 5 Year Average Rate Increase <3.25%
 - Each 1% Rate Increase Yields \$401,300 NPR
 - 3.4% Increase for Hospital Services
 - Recently Completed CDM and Price Comparison Analysis Will Guide Increase Strategy
 - 0% Increase for Provider Services
- NPR Increase Due to Utilization = 1.7%
 - Provider Practices, Operating Room & Physical Therapy
 - Budgeting Up to 10 Telehealth Visits Per Week in Primary Care Practices
 - Volume of Avoidable ED Visits Decreasing

January - June	ED Visits	Avoidable	%
		Visits	Avoidable
FY 2018	6,039	1,642	27.2%
FY 2019	6,307	1,764	28.0%
FY 2020	4,357	937	21.5%
FY 2021	4,436	775	17.5%

- NPR Increase From New or Expanded Services = 1.6%
 - ENT, Audiology, Pulmonary & Pain Management
 - Reduces NPR going from VT to NH
 - NVRH Becoming Regional Provider for Certain Specialty Services



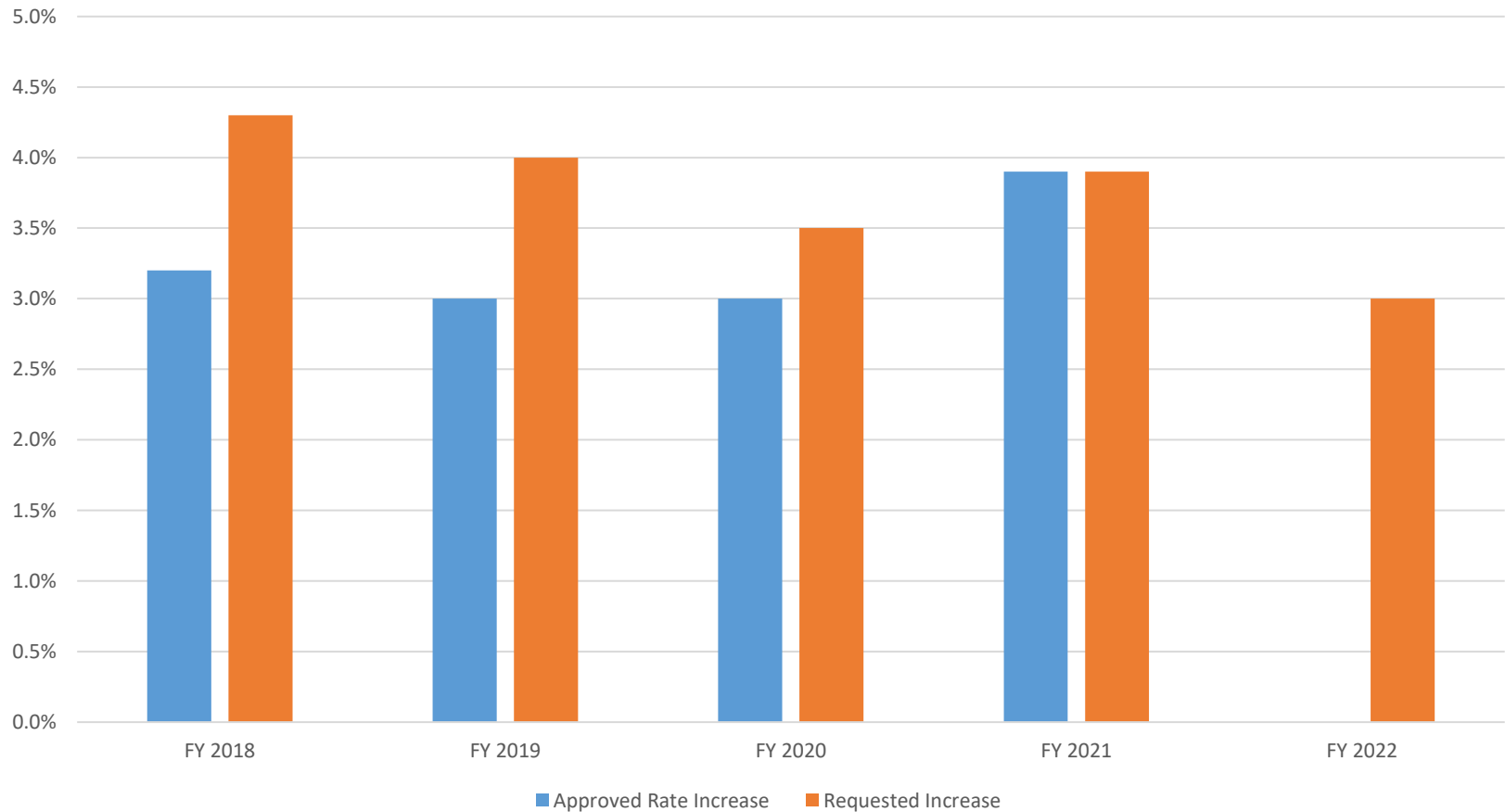
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INCOME STATEMENT, BALANCE SHEET & CASH FLOW

CHARGE INCREASE REQUEST -

TRENDED CHARGE INCREASE %



INCOME STATEMENT, BALANCE SHEET & CASH FLOW NPR/FPP - PAYER ASSUMPTIONS

- No change to commercial payer discounts
- No change to Medicare CAH payment rules
- Assume Medicare Sequestration begins 1/1/22
- No change to Medicaid FFS reimbursement rates
- NVRH plans to participate in all OCV Value-Based Programs except Medicare Risk Program
- Lower Uncompensated Care trend will continue
 - No changes to Uncompensated Care Policies
 - Anticipated economic effect of COVID on UC didn't materialize



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INCOME STATEMENT, BALANCE SHEET & CASH FLOW ADJUSTMENTS

- The FY 2022 budget does not include any Provider Transfers
- There were no Accounting Changes adopted in FY 2021 and none anticipated for FY 2022



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INCOME STATEMENT, BALANCE SHEET & CASH FLOW

OTHER OPERATING & NON-OPERATING REVENUE

INCOME STATEMENT	2020 A	2021 B	2021 PROJ	2022 B
Other Operating Revenues				
340B Retail Pharmacy Programs	\$2,712,187	\$2,575,000	\$2,314,633	\$2,400,000
COVID-19 Stimulus and Other Grant	\$1,788,510	\$597,400	\$1,160,140	\$0
Grant Income	\$117,759	\$0	\$0	\$0
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Other Operating Revenue	\$6,110,887	\$4,907,400	\$5,545,620	\$4,465,100
Non Operating Revenue	\$2,418,526	\$0	\$3,503,586	\$0

- OOR is comprised mostly of 340B and Reference Lab
- FY 2021 Stimulus Grant Fund Revenue may be higher
- Vaccination Clinic is OOR. It operates at breakeven
- Non-Operating Revenue is primarily gains or losses on investments, which NVRH does not budget



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INCOME STATEMENT, BALANCE SHEET & CASH FLOW

EXPENSES – FY 2021 to FY 2022 BUDGET

Operating Expense Change FY 2021 Budget to FY 2021 Budget

Description	Amount	%	Comments
Total FY21 Budget Operating Expenses	\$ 93,488,000		
Provider Tax Increase	825,000	0.9%	FY 2020 NPR Projected Too Low
New/Expanded Programs and Services	1,300,000	1.4%	Pulmonology, ENT, Pain Management
Unbudgeted COVID Testing Expenses	369,700	0.4%	Ongoing Testing Anticipated But At Reduced Level
OR Supply Costs (Implants Mostly)	550,000	0.6%	Volume Continues to Increase
Pharmacy Drug (One Drug)	278,500	0.3%	Annual Cost Now \$1.1 Million
Locum Expense Variance	(325,000)	-0.3%	Anticipated Reduction Based on Staffing Assumptions
Provider & Employee Recruitment	375,000	0.4%	Recruitment to Fill Current and Anticipated Vacancies
FY21 Employee Increase Implemented Early	275,000	0.3%	Carry Forward to FY 2022
Increase Depreciation Expense	348,800	0.4%	Returning to Normal Capital Expenditure Plan
Inflation	550,000	0.6%	Non Salary Inflation Average of XX% Assumed
Salary Increase	1,000,000	1.1%	Includes Market Adjustments
FTE Increase	775,000	0.8%	Screeners, Patient Observers, Analytics, Staff Education
Volume Related Expenses	320,000	0.3%	Incremental Expenses Related Volume Increase
Cost Savings/ Expenses Lower Than Budget	(361,100)	-0.4%	340B and Supply Chain Savings Budgeted at \$200,000
Total FY2021 Projected Operating Expenses	<u>\$ 99,768,900</u>	<u>6.7%</u>	

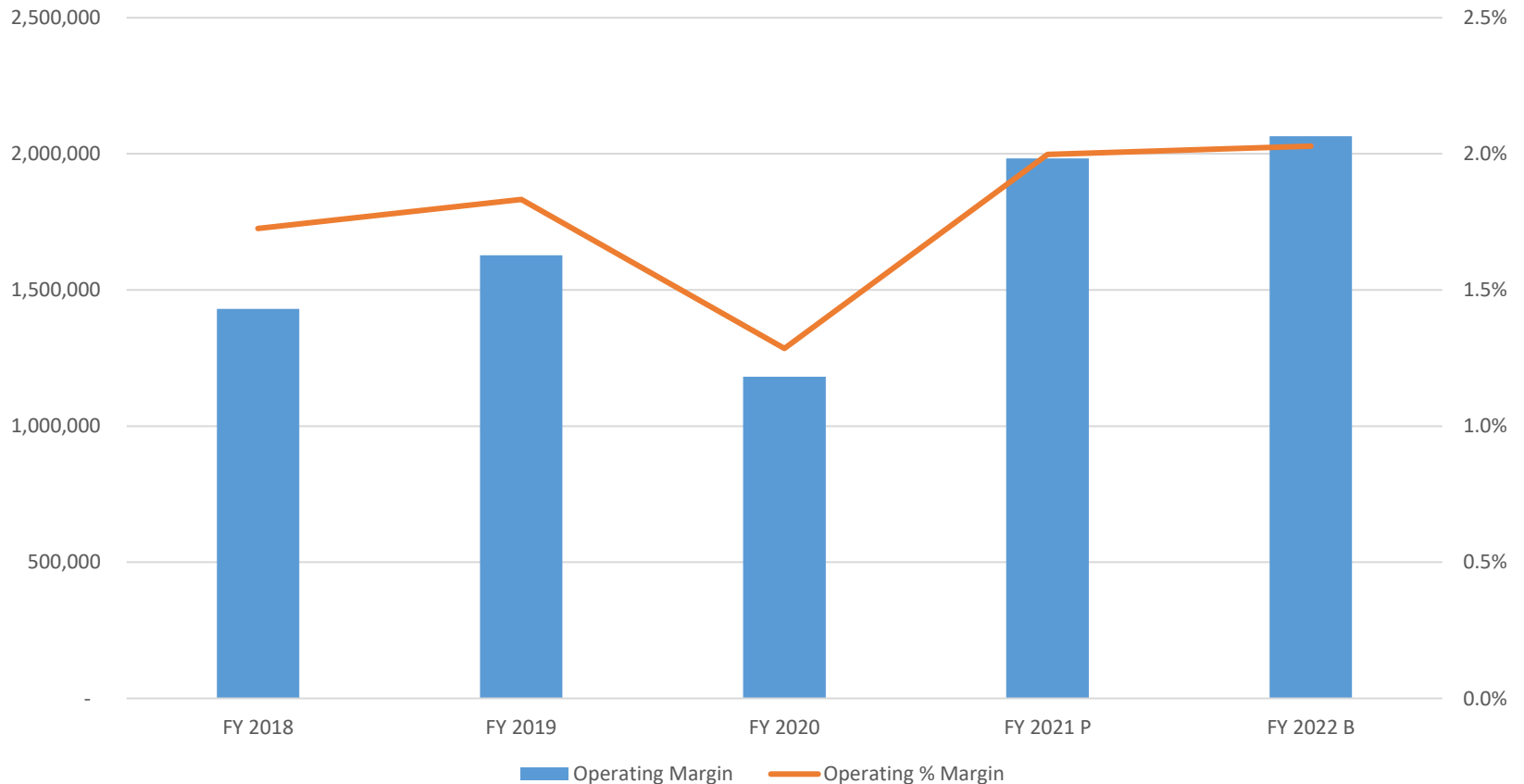


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INCOME STATEMENT, BALANCE SHEET & CASH FLOW

OPERATING MARGIN-FY 2018 to FY 2022 TRENDED



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INCOME STATEMENT, BALANCE SHEET & CASH FLOW OPERATING MARGIN/TOTAL MARGIN

- Five-Year Average Operating Margin is 1.8%
- Minimum of 2% Operating Margin Required in FY 2021 and Beyond to Support Emergency Department/West Wing Project – Estimated Cost \$22 Million
- Total Operating Margin = Operating Margin +/- Gains or Losses on Investments (Not Budgeted)



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INCOME STATEMENT, BALANCE SHEET & CASH FLOW

BALANCE SHEET

BALANCE SHEET	2019 A	2020 A	2021 P	2022 B
Cash & Investments	\$5,802,955	\$28,733,062	\$26,505,258	\$13,670,959
Net Patient Accounts Receivable	\$9,251,739	\$8,715,262	\$9,718,000	\$10,602,000
Due From Third Parties	\$0	\$0	\$0	\$0
Risk Reserve Receivable	\$0	\$0	\$0	\$0
Other Current Assets	\$4,096,242	\$3,521,751	\$3,492,654	\$3,250,000
Current Assets	\$19,150,936	\$40,970,075	\$39,715,912	\$27,522,959
Board Designated Assets	\$18,880,553	\$20,793,491	\$24,028,949	\$24,028,949
Net, Property, Plant And Equipment	\$23,016,182	\$22,455,672	\$23,754,017	\$26,024,017
Other Long-Term Assets	\$7,622,392	\$7,442,663	\$7,137,798	\$6,278,864
Assets	\$68,670,063	\$91,661,901	\$94,636,676	\$83,854,789
Accounts Payable	\$2,633,148	\$4,474,753	\$3,311,675	\$3,600,000
Current Liabilities COVID-19	\$0	\$6,263,821	\$10,809,222	\$0
Salaries, Wages And Payroll Taxes Payable	\$5,757,701	\$5,194,885	\$6,834,307	\$6,026,807
Other Third Party Settlements	\$1,668,353	\$3,063,418	\$1,878,040	\$1,055,540
ACO Risk Reserve	\$0	\$0	\$377,500	\$1,019,375
Other Current Liabilities	\$1,133,001	\$1,432,417	\$4,158,941	\$2,945,506
Current Liabilities	\$11,192,203	\$20,429,294	\$27,369,685	\$14,647,228
Long Term Liabilities COVID-19	\$0	\$10,778,846	\$0	\$0
Long Term Liabilities	\$10,385,290	\$10,046,480	\$7,703,002	\$6,893,002
Other Noncurrent Liabilities	\$4,737,451	\$4,463,755	\$8,407,919	\$9,094,489
Long Term Liabilities	\$15,122,741	\$25,289,081	\$16,110,921	\$15,987,491
Total Liabilities	\$26,314,944	\$45,718,375	\$43,480,606	\$30,634,719
Net Assets	\$40,765,493	\$42,343,782	\$45,669,228	\$51,155,032
YTD Change In Net Assets	\$1,589,626	\$3,599,744	\$5,486,842	\$2,065,038
Fund Balance	\$42,355,119	\$45,943,526	\$51,156,070	\$53,220,070
Liabilities and Equities	\$68,670,063	\$91,661,901	\$94,636,676	\$83,854,789
Balance Sheet Metrics				
Days Cash on Hand	107.4	206.6	196.0	143.0
Debt Service Coverage Ratio to 1	5.1	4.5	4.8	5.4
Long Term Debt to Capitalization	0.2	0.3	0.1	0.1
Days Payable	48.7	85.2	106.1	55.5
Days Receivable	39.9	40.2	41.4	43.6



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INCOME STATEMENT, BALANCE SHEET & CASH FLOW

BALANCE SHEET

- Increasing cash balance for investment in ED/West Wing project and support subsequent debt service
 - Days Cash on Hand increasing from 107 to 143 (FY19-FY22)
- Capital structure ratios indicate capacity to add long term debt for ED/West Wing project
 - Debt Service Coverage Ratio = 5.4
 - Long term debt to Capitalization Ratio = .1

INCOME STATEMENT, BALANCE SHEET & CASH FLOW

CASH FLOW

Cash Flow	Amount
Cash From Operations	
Excess Revenue Over Expense	2,065,038
Depreciation/Amortization	3,508,500
Repayment Medicare Advance Payment	(10,809,222)
Increase Patient A/R	(884,000)
Other Changes	(1,670,581)
Total Cash From Operations	(7,790,265)
Cash From Investing Activity	
Capital Spending	
Change in Accum Depr Less Depreciation	(118,500)
Change in Capital Assets	(5,660,000)
Total From Investing Activity	(5,778,500)
Other LT Assets & Escrowed Bonds & Other	1,545,504
Total Other LT Assets & Escrowed Bonds	1,545,504
Financing Activity	
Debt	
Bonds & Mortgages	(810,000)
Total Financing Activity	(810,000)
Other Changes	
Change in Fund Balance Less Net Income	(1,038)
Total	(1,038)
Total Increase (Decrease) in Cash	(12,834,299)
 Beginning Cash	 26,505,257
Net Increase/(Decrease) in Cash	(12,834,299)
Ending Cash	13,670,958



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RISKS AND OPPORTUNITIES

RISKS

Risks That Could Negatively Affect FY 2022 Budget Include:

- Tightening labor market impacting recruitment/retention at all levels
- Effect of staffing new DHMC Tower on already tight labor market
- Inability to locate travelers to fill vacant positions due to high demand, short supply
- Mandated vaccinations - could negatively influence recruitment/retention
- Inflationary pressures
 - Labor costs
 - Supply chain
 - Equipment and construction
- Chronic strain on mental health system
- Inadequate system capacity for patient transfers
 - Availability of tertiary beds
 - Availability of mental health beds
 - Availability of post-acute beds



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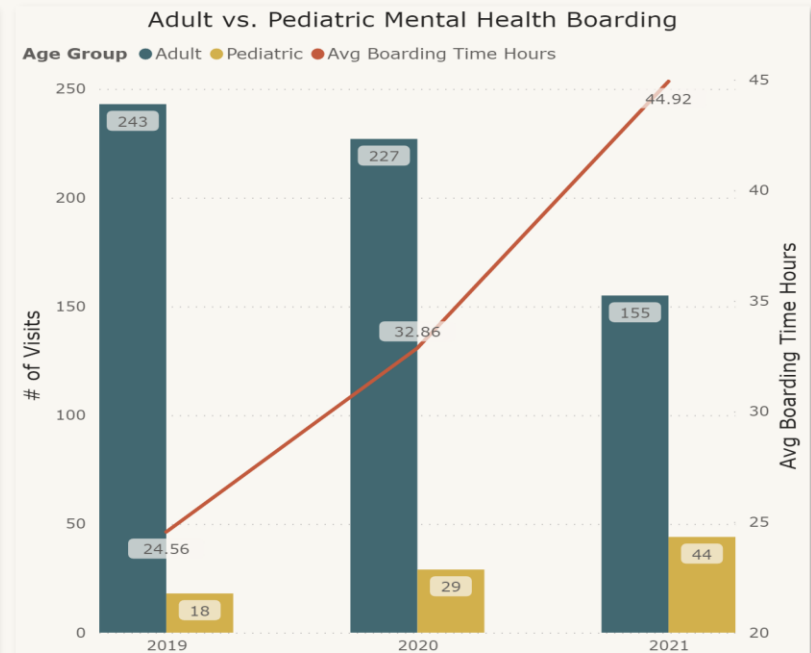
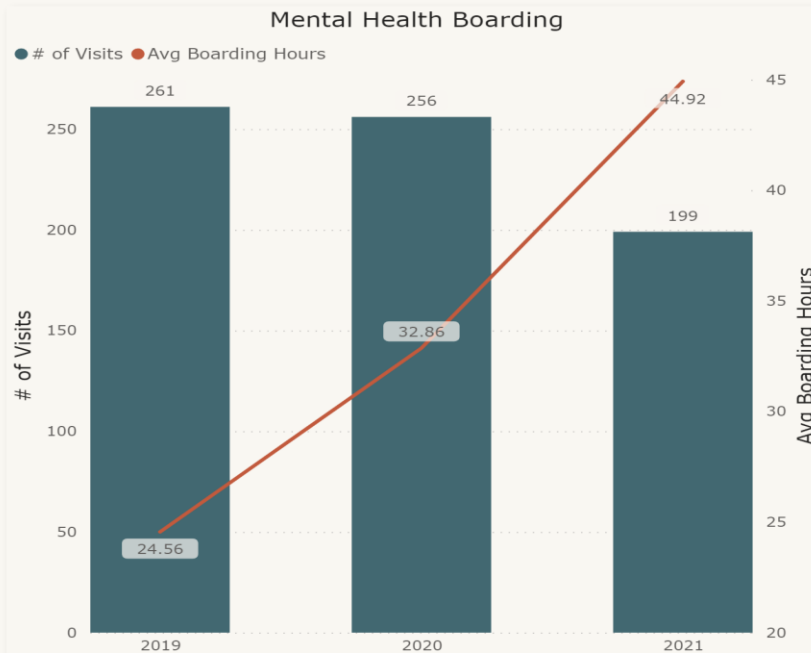
RISKS AND OPPORTUNITIES

RISKS

Impact of Inadequate Supply of Mental Health Beds

Mental Health Boarding Trends 2019- 2021 Current

* Based on CPSO Order



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RISKS AND OPPORTUNITIES

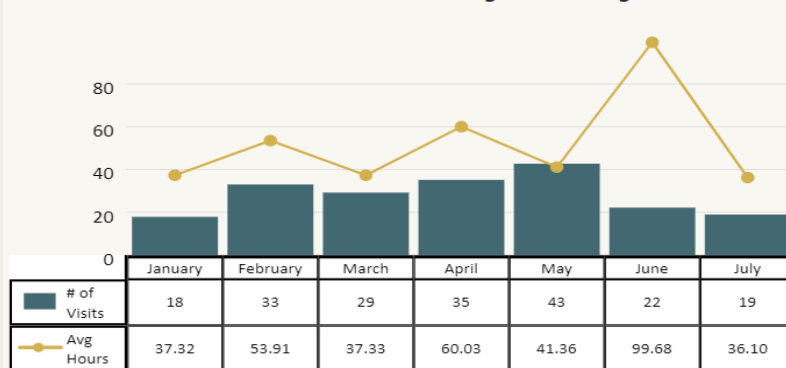
RISKS

Impact of Inadequate Supply of Mental Health Beds (Cont'd)

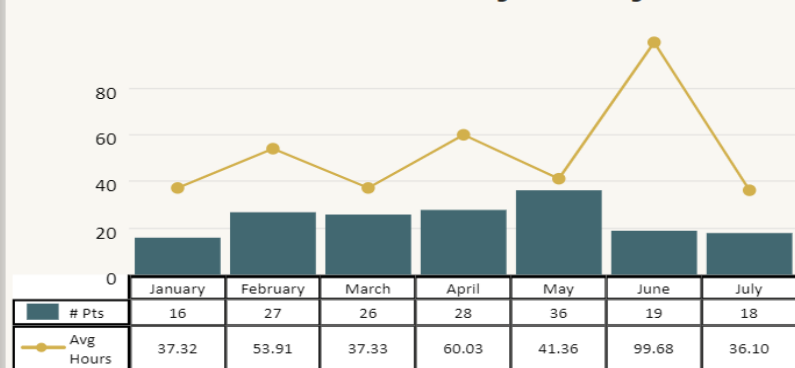
Mental Health Boarding Trends 2021

* Mental Health Patient as defined by CPSO Order

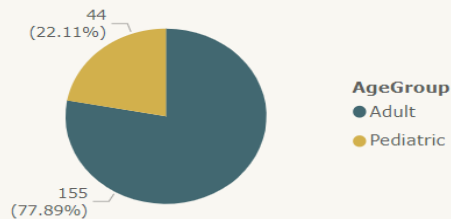
Mental Health Visits and Average Boarding Time



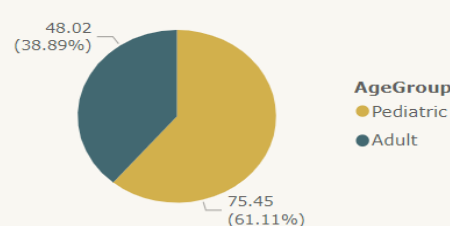
Mental Health Patients and Average Boarding



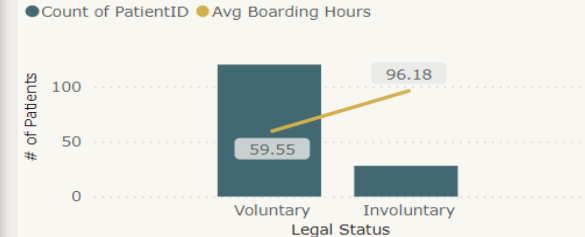
Volume by Age Group



Avg Boarding Hours by Age Group



Boarding Time by Legal Status



RISKS AND OPPORTUNITIES

RISKS

- COVID-19 Resurgence
 - Schools returning to remote learning will impact staffing
 - Potential supply chain disruption and availability of PPE
- Further erosion of 340B revenue due to withdrawal of additional drug manufacturers
- Possibility of local Designated Agency losing its designation
- Unfavorable OCV Value-Based Program results



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RISKS AND OPPORTUNITIES

OPPORTUNITIES

Opportunities to Positively Affect FY 2022 Budget and/or Reduce Risks Include:

- Use VT status as “safe” state to support recruitment efforts
- Maximize Tele-Psychiatry Program to support continuity of care throughout the enterprise
- Continue use of Telehealth Services to improve access to care
- Continued use of 340B Program to reduce drug costs
- Continued work with providers to offset lost 340B revenue due to drug manufacturers withdrawal from program
- Favorable OCV Value-Based Program results

RISKS AND OPPORTUNITIES

OPPORTUNITIES

- Leverage OCV data and analytics to further improve care coordination
- Improve operational efficiencies through cross-departmental collaboration
- Introduce new patient-centered technology to optimize patient services and health care delivery
- Develop an exemplary nursing education program to support recruitment and retention efforts



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VALUE-BASED PARTICIPATION

- NVRH Will Participate in All Value-Based OCV Programs Except Medicare
 - Total risk budgeted is \$812,500
 - Medicare down-side risk Too High for CAHs

Value-Based Care Participation

Complete the following table if the hospital is participating in one or more of value-based care programs. If the hospital is not participating in value-based care programs, please indicate in the narrative.

Value-Based Care Program	Participating in Program in Calendar Year (CY) 2022? (Yes/No)	Budgeted Number of Attributed Lives (monthly average for CY 2022)	Budgeted Amount of FPP (monthly average for CY 2022)	Budgeted Maximum Upside/Downside Risk for CY 2022
Medicaid	Y	7,878	752,300	(812,500)
Medicare	TBD			
Commercial (not Self-Insured)	Y	4,512	0	
Self-Insured				
TOTAL				



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CAPITAL INVESTMENT PLANS

- Routine Capital Spending = \$2.6 Million
- Phase A of ED/West Wing Project = \$2.8 Million
 - Plan to fast track Mental Health Support Waiting Area portion of larger project
- Phase B of ED/West Wing - CON Preparation = \$.3 million
- CON application for ED West Wing Project will be filed in Fall, 2021
 - \$19 Million in FY 2021 Dollars
 - \$22 Million in FY 2023 Dollars (estimated start date)
- FY 2022-2026
 - Upgrade Meditech EMR =\$2.5 Million
- Committee reviews capital plan monthly



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IMPACT OF COVID-19

- Implement Change Management Models:
 - Stood up new programs quickly and efficiently
 - Monoclonal Antibody Infusion Center
- Operational efficiencies that were maintained Post-COVID:
 - Remote Meetings
 - Telehealth Visits
- Work Remotely – Pilot project to make permanent in progress
- Increased NVRH's negative pressure room capacity
 - ED, Med/Surg, ICU and Medical Practices (4)
- Renewed NVRH's commitment to focus on staff well-being
 - Lumonos Wellbeing Program for providers and staff
- Drive Through Services are a huge success
 - COVID Testing, Flu and COVID Vaccination



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IMPACT OF COVID

ONGOING COVID-19 CHALLENGES

- High Acuity Patients (due to delayed care)
 - Put increased strain on already-stretched staff
 - Require more system resource to care For
 - Resulting in longer wait times (especially in Specialties)
- COVID Protocol Requirements Add Complexity
 - Makes visit and process longer



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